

Global Capital Markets Overview

October-18

Major Fixed Income Indices

(USD)	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
JPM EMBI Global Diversified	-2.16	1.51	-3.54	2.30	-2.16		-5.13	-3.45
JPM GBI-EM Broad Diversified	-1.66	1.78	-9.44	-1.91	-1.66		-8.98	-12.64
Bloomberg Barclays Global Aggregate	-1.12	-0.86	-2.78	-0.92	-1.12		-3.46	-4.76
Bloomberg Barclays US Aggregate	-0.79	-0.64	-0.16	0.02	-0.79		-2.38	-0.93

Major Equity Indices

(USD, Net)	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
MSCI AC World	-7.49	0.44	0.53	4.28	-7.49		-3.96	-3.02
MSCI World	-7.34	0.56	1.73	4.98	-7.34		-2.31	-1.04
MSCI North America	-7.02	0.39	3.47	7.01	-7.02		1.78	2.95
MSCI Pacific	-8.55	1.81	-1.35	2.28	-8.55		-8.36	-7.73
MSCI Europe	-7.63	0.36	-1.27	0.80	-7.63		-9.90	-8.08
MSCI Kokusai	-7.24	0.33	2.19	5.10	-7.24		-1.86	-0.37
MSCI Emerging	-8.71	-0.53	-7.96	-1.09	-8.71		-15.72	-16.89
MSCI EM Latin America	3.46	4.69	-17.75	4.77	3.46		-3.69	-10.84
MSCI EM Asia	-10.92	-1.69	-5.85	-1.83	-10.92		-16.97	-17.66
MSCI EM EMEA	-6.78	1.75	-10.19	-1.63	-6.78		-18.42	-17.64
MSCI EM Europe	-5.57	6.71	-10.22	2.24	-5.57		-11.54	-13.32

REIT&Commodities

(USD)	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
TSE REIT INDEX	-1.53	1.61	5.37	1.81	-1.53		8.47	5.64
FTSE EPRA/NAREIT US	-2.28	-2.70	10.24	0.58	-2.28		-0.07	8.36
CRB	-1.95	1.31	3.06	-2.11	-1.95		0.07	-1.08
S&P GSCI	-5.84	3.93	8.00	1.34	-5.84		5.31	3.05
WTI Crude Oil	-10.73	4.47	14.27	-1.31	-10.73		8.02	0.68
NY Golds	2.02	-0.94	-5.46	-4.77	2.02		-6.75	-8.15

Currency Returns (against the USD) Thomson Reuters Spot Rate (London 4pm)

	This M	Last M	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	YTD	FYTD*
JPY	0.67	-2.34	-3.98	-2.65	0.67		-0.23	-5.90
EUR	-2.56	0.07	-5.17	-0.65	-2.56		-5.72	-8.20
CHF	-2.62	-1.35	-3.69	0.88	-2.62		-3.39	-5.40
GBP	-2.03	0.52	-5.77	-1.35	-2.03		-5.54	-8.93
AUD	-2.17	0.55	-3.57	-2.35	-2.17		-9.34	-7.89
BRL	8.79	0.16	-14.75	-4.25	8.79		-11.00	-11.20

*Fiscal year to date
Source: Datastream, Bloomberg

<Global Capital Markets for October 2018>

■ Interest Rates

During October, ECB and BOJ held monetary policy meetings as scheduled. As broadly expected, ECB maintained all three key rates unchanged and confirmed that monthly net asset purchases under the APP was reduced from EUR 30bn to the current EUR 15bn and remain the same pace until the year end. BOJ maintained policy rates and policy measures unchanged. They voted 7 to 2 for their policy rate and yield curve control and voted unanimously for asset purchases. FOMC minutes for September meeting was released and confirmed that another rate hike is imminent towards the year end. During the month, a few central banks including Bank of Canada and Central Bank of Chile raised their policy rates from 1.50% to 1.75% and from 2.50% to 2.75% respectively. Money rates in major currencies were mixed for the month; USD notably higher in cash and marginally higher in futures, EUR and GBP unchanged in cash but notably lower in longer-dated futures and JPY unchanged in cash but marginally lower in futures.

■ Currencies

Despite the US treasury yields well above 3%, weaker than expected US NFP, renewed geo-political risks against Iran and on Mexican borders as well as the sharp sell-off of US equity markets on Nov 10th and 11th drove USD lower towards the middle of the month. From there, political issues in Europe, i.e. Brexit terms and Italian budget, stabilizing US equity markets, higher probability for US rate hike in December, reduced political tension against Turkey as well as the improved prospect for US mid-term elections supported USD towards the month end. European currencies remained weak throughout the month. JPY moved higher due mainly to the risk-off market sentiment at the beginning of the month but lost grounds towards the month end. JPY closed the month marginally higher against USD at 112.94 (113.70) and substantially higher against EUR at 127.76 (131.93).

■ Bond Markets

In US, the yield was up due to optimistic view by Fed Chair Powell. Then declined along with equity market and on some concern over the economic slowdown, however, kept the up in the end compared with previous month. In Europe, the yield was down due to Italian issue, US equity drops and concern about the Euro Zone economy. US Treasury 10Yr was up by 8bps to 3.14% while German Bund 10Yr was down by 9bps to 0.39%. European peripherals were up e.g., Italy to 3.43%, Spain to 1.55% and Greece to 4.24%. On the US spread sectors, Corporates and Securitized were all weak together with equity market especially Industrials, compared with Treasuries.

■ Equity Markets

Global stock markets dropped sharply due to rise of US 10 Yr treasury yield and concern about negative impact on macro economy and corporate earnings, by trade conflict between US and China. In terms of monthly return in USD, developed markets declined by 7.3% and emerging markets dropped by 8.7%. Japanese stock market lost by 9.4% in TOPIX.

As for sector return in developed markets, all sectors declined. The worst performer was Industrial sector which dropped by 10.3%. Utility sector lost slightly by 0.6%, which was smallest in all sectors.

Index

- FTSE World Government Bond Index, FTSE US High-Yield Market Index (FTSE fixed income indices are developed, calculated and distributed by London Stock Exchange Group)
- Bloomberg Barclays Global Aggregate Index, Bloomberg Barclays US Aggregate Bond Index, Bloomberg Barclays US Aggregate 1-3 Year Index, Bloomberg Barclays Euro Aggregate Bond Index, Bloomberg Barclays US Mortgage Backed Securities (MBS) Index, Bloomberg Barclays World Government Inflation-Linked Bond (WGILB) Index, Bloomberg Barclays Global High Yield Index
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- JPMorgan Emerging Markets Bond Index Global Diversified (EMBI Global Diversified), JPMorgan Emerging Local Markets Bond Index Plus (ELMI+), JPMorgan Government Bond Index - Emerging Markets Global Diversified (GBI-EM GD), JPMorgan Government Bond Index - Emerging Markets Broad Diversified (GBI-EM BD)
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- NOMURA-BPI Overall, NOMURA-BPI Overall, Short-term (1-3 years), Mid-term (3-7 years), Long (7 years~)
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- Russell/Nomura Japan Index
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- Russell 2000 Growth Index
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- Eurekahedge Asian Hedge Fund Index, Eurekahedge Asian Hedge Fund Index (Asia ex-Japan Index) Index data is utilized under the permission for usage by Eurekahedge.
- FTSE All World, FTSE World, S&P500
- Credit Suisse Leveraged Loan Index, Credit Suisse western european leveraged loan Index, S&P European Leveraged Loan Index, Swiss Re USD Cat Bond Performance Index
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